

110TH CONGRESS  
1ST SESSION

# S. 1198

To determine successful methods to provide protection from catastrophic health expenses for individuals who have exceeded health insurance lifetime limits, to provide catastrophic health insurance coverage for uninsured individuals, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

APRIL 24, 2007

Mr. SMITH (for himself and Mr. WYDEN) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To determine successful methods to provide protection from catastrophic health expenses for individuals who have exceeded health insurance lifetime limits, to provide catastrophic health insurance coverage for uninsured individuals, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Catastrophic Health  
5 Coverage Promotion Act”.

1 **SEC. 2. DEMONSTRATION PROJECTS.**

2 (a) IN GENERAL.—Not later than 6 months after the  
3 date of enactment of this Act, the Secretary of Health and  
4 Human Services (referred to in this Act as the “Sec-  
5 retary”) shall establish not more than 6 demonstration  
6 projects in accordance with the provisions of this section  
7 to provide—

8 (1) in conjunction with the program under title  
9 XVIII of the Social Security Act (42 U.S.C. 1395 et  
10 seq.), health insurance coverage for individuals  
11 who—

12 (A) are not eligible for benefits under  
13 Medicare or Medicaid program and who have  
14 exceeded \$10,500 in out-of-pocket health care  
15 costs in a year, or an adjusted amount based on  
16 the average out-of-pocket costs of individuals  
17 with catastrophic illnesses in a State for the  
18 year, but in no case less than \$8,000 and not  
19 more than \$15,000 in out-of-pocket health care  
20 costs during such year; or

21 (B) were receiving benefits under Medicare  
22 or Medicaid but who have exhausted their eligi-  
23 bility for such benefits and any additional pri-  
24 vate health insurance coverage; and

25 (2) in conjunction with the program under title  
26 XIX of the Social Security Act (42 U.S.C. 1396 et

1 seq.), health insurance coverage for catastrophic  
2 health care expenses, including prevention benefits,  
3 to individuals who do not have health insurance cov-  
4 erage.

5 (b) DESIGN OF DEMONSTRATION PROJECTS.—The  
6 Secretary shall ensure that the demonstration projects  
7 carried out under this section are conducted in a manner  
8 that will, to the greatest extent practicable, allow for com-  
9 parisons of the information resulting from the evaluations  
10 of such programs under subsection (e).

11 (c) NUMBER AND REQUIREMENTS FOR DEMONSTRA-  
12 TION PROJECTS.—

13 (1) NUMBER.—The Secretary shall establish, in  
14 accordance with this subsection—

15 (A) not less than 2 demonstration projects  
16 to provide health insurance coverage under sub-  
17 section (a)(1);

18 (B) not less than 2 demonstration projects  
19 to provide catastrophic coverage under sub-  
20 section (a)(2); and

21 (C) if funds remain available after com-  
22 plying with subparagraphs (A) and (B), addi-  
23 tional demonstration projects under subsection  
24 (a).

1           (2) REQUIREMENTS FOR PROJECTS UNDER  
2       SUBSECTION (a)(1).—In designing the demonstra-  
3       tion projects under subsection (a)(1), the Secretary  
4       shall—

5                   (A) use State risk pools;

6                   (B) use reinsurance mechanisms for small  
7       businesses;

8                   (C) use public or private arrangements for  
9       the provision of affordable health insurance cov-  
10      erage to cover catastrophic health care ex-  
11      penses; and

12                  (D) use any combination of such arrange-  
13      ments.

14           (3) REQUIREMENTS FOR PROJECTS UNDER  
15      SUBSECTION (a)(2).—

16                   (A) IN GENERAL.—In designing the dem-  
17      onstration projects under subsection (a)(2) the  
18      Secretary shall—

19                           (i) use a catastrophic health insurance  
20      product administered by private health  
21      plans that shall—

22                                   (I) be sold in both the individual  
23      and small group insurance markets;

24                                   (II) offer a deductible of not less  
25      than \$5,000 for an individual and

1 \$7,500 for a family, a deductible that  
2 is indexed to the individual's or fam-  
3 ily's income level, or an adjusted de-  
4 ductible amount based on the average  
5 out-of-pocket costs of individuals or  
6 families, but in no case lower than  
7 \$2,500 for an individual and \$5,000  
8 for a family;

9 (III) include preventive health  
10 services based on recommendations  
11 made by the United States Preventive  
12 Task Force, including not less than 1  
13 primary care provider's office visit;  
14 and

15 (IV) require reasonable co-insur-  
16 ance as determined by the State ad-  
17 ministering the demonstration project,  
18 in consultation with the Secretary;

19 (ii) subsidize such catastrophic cov-  
20 erage to provide an affordable product and  
21 may provide subsidies on sliding scale, to  
22 offer a more affordable product for individ-  
23 uals in the individual and group market  
24 earning below 200 percent of the Federal  
25 poverty level; and

1 (iii) consider subsidizing the cost of  
2 such catastrophic coverage for small busi-  
3 nesses that do not offer employer-spon-  
4 sored insurance by using reinsurance  
5 mechanisms or other public and private  
6 partnerships.

7 (B) ELIGIBILITY.—An individual or small  
8 business shall be eligible to participate in a  
9 demonstration project under subsection (a)(2)  
10 only if—

11 (i) such individual did not have health  
12 insurance coverage within the 1-year pe-  
13 riod immediately prior to applying for cov-  
14 erage under the demonstration project; or

15 (ii) such small business did not offer  
16 employer-sponsored health insurance cov-  
17 erage within such 1-year period.

18 (d) DURATION; EVALUATION.—

19 (1) DURATION.—The Secretary shall complete  
20 the demonstration projects established under this  
21 section not later than 6 and ½ years after the date  
22 of enactment of this Act.

23 (2) EVALUATION.—During the 18-month period  
24 beginning after the date that is 5 years after the  
25 date the demonstration projects have all been estab-

lished under this section, the Secretary shall complete an evaluation of such demonstration projects established to determine—

(A) the ability of individuals and small businesses to access health insurance coverage;

(B) the length of time individuals participated in and maintained such coverage;

(C) with respect to each geographic area of a demonstration project—

(i) the impact on the amount of charity or other uncompensated care provided by health care providers who participated in the demonstration projects;

(ii) the impact on insurance rates in the commercial market; and

(iii) the impact on the number of medical related bankruptcies; and

(D) if additional information is needed and whether the projects should be continued or modified, as the Secretary determines appropriate.

(e) APPLICATION; SITE SELECTION.—

(1) APPLICATION.—A State may submit an application to the Secretary to participate in any of the demonstration projects established under this section

1 at such time, in such manner, and containing such  
2 information as the Secretary may require.

3 (2) IN GENERAL.—In selecting States to par-  
4 ticipate in a demonstration project, the Secretary  
5 shall—

6 (A) consider the current structure of a  
7 State’s programs to assist individuals with cata-  
8 strophic health care costs and individuals that  
9 do not have health insurance coverage;

10 (B) determine what parameters for the  
11 demonstration project will be least intrusive to  
12 the State’s existing such structures; and

13 (C) consider the overall health status of  
14 the State, the age demographics of individuals  
15 with high health care costs and of individuals  
16 who do not have health insurance coverage, and  
17 the historical health care costs and efficiency of  
18 the State’s health care system.

19 (3) SPECIFIC SITE.—The Secretary shall select  
20 as a demonstration project site the State in which  
21 (according to the Hospital Referral Region of Resi-  
22 dence, 1994–1995, as listed in the Dartmouth Atlas  
23 of Health Care 1998) the largest metropolitan areas  
24 of the State had the lowest percentage of Medicare  
25 beneficiary deaths in a hospital when compared to



1 the largest metropolitan areas of each other State  
2 and the percentage of enrollees who experienced in-  
3 tensive care during the last 6 months of life was  
4 21.5 percent.

5 (f) FUNDING.—

6 (1) IN GENERAL.—Notwithstanding sections  
7 1901, 1903(a)(1) and 1923 of the Social Security  
8 Act (42 U.S.C. 1396, 1396a(a)(13)(A)(iv),  
9 1396b(a)(1), 1396r-4), the Secretary shall expend  
10 not less than \$50,000,000 of the total amount of un-  
11 expended State DSH allotments under section 1923  
12 of such Act for each of fiscal years 2008 through  
13 2013 for purposes of carrying out the demonstration  
14 projects authorized under this section.

15 (2) USE OF OTHER FUNDING SOURCES.—A  
16 State may contribute other public funds (other than  
17 otherwise obligated Federal funds), and an employer  
18 may contribute private funds, to a demonstration  
19 project funded under this section.

20 (g) REPORTS TO CONGRESS.—

21 (1) PRELIMINARY REPORT.—Not later than 3  
22 years after the date of enactment of this Act, the  
23 Secretary shall submit to the Committee on Finance  
24 of the Senate and the Committee on Ways and  
25 Means of the House of Representatives a prelimi-

1 nary report on the progress made in the demonstra-  
2 tion projects established under this section.

3 (2) INTERIM REPORT.—Not later than 30  
4 months after the implementation of the demonstra-  
5 tion projects established under this section, the Sec-  
6 retary, in consultation with the participants in such  
7 demonstration projects, shall submit to the Commit-  
8 tees described in paragraph (1), an interim report  
9 on such demonstration projects.

10 (3) FINAL REPORT.—Not later than the date  
11 on which all demonstration projects established  
12 under this section end, the Secretary shall submit to  
13 the Committees described in paragraph (1) a final  
14 report on such demonstration projects that includes  
15 the results of the evaluation conducted under sub-  
16 section (f) and recommendations for appropriate leg-  
17 islative changes.

